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NIGERIA

Key Economic Indicators

(Billions of U.S. dollars unless otherwise indicated)

	1999	2000	2001
Income, Production, and Employment:			
Nominal GDP 2/	35.7	37.0	39.0
Real GDP Growth (pct)	2.7	3.8	4.0
GDP by Sector (pct):			
Industrial 3/	17.3	17.0	N/A
Agriculture	40.7	41.5	N/A
Services	33.0	34.0	N/A
Government	11.0	25.0	N/A
Per Capita GDP (US$) 4/	260	270	280
Labor Force (Millions)	40.1	38.9	N/A
Unemployment Rate (pct) 5/	3.0	3.1	5.0
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	31.6	48.1	N/A
Consumer Price Inflation	6.6	8.0	18.0
Exchange Rate (Naira/US$ - annual average) 6/	98.2	104	112
Free Market Rate	101	110	132
Balance of Payments and Merchandise Trade:			
Total Exports FOB 7/	12.9	19.1	N/A
Exports to United States 8/	4.4	7.9	N/A
Total Non-Oil Exports 8,9/	0.20	0.24	N/A
Total Imports CIF 7/	(8.6)	(8.7)	N/A
Imports from United States 8/	0.6	0.5	N/A
Trade Balance 7/	4.3	12.4	N/A
Balance with United States 8/	3.8	7.4	N/A
Current Account Deficit/GDP (pct)	1.2	18.1	N/A
External Public Debt	28.1	27.8	N/A
Fiscal Deficit/GDP (pct)	8.4	2.9	N/A
Debt Service Payments/GDP (pct)	1.5	1.7	N/A
Gold and Foreign Exchange Reserves	5.5	9.9	11.9
Aid from United States (US$ millions) 10/	37.5	108	103
Aid from All Other Sources	N/A	N/A	N/A

1/ 2001 figures, except exchange rates, are estimates based on available Central Bank of Nigeria (CBN) monthly data, October 2001 (unless otherwise noted).
2/ GDP at current factor cost. Conversion to U.S. dollars at CBN rate 104 naira per dollar for 2000.
3/ Total GDP for the Industrial sector (includes oil/gas, manufacturing, and mining). Percentage changes calculated in local currency.
4/ Source: IBRD.
5/ Real unemployment is estimated at 50 percent by unofficial sources. According to the CBN, official statistics are based on the number of unemployed registered with the Federal Ministry of Labor. Underemployment is estimated at 20 percent by the CBN.
6/ Annual average Interbank Foreign Exchange Market Rate.
7/ 2000 figures are CBN figures.
8/ 2000 figures are January-December
9/ Source: Federal Office of Statistics
10/ Aid level in 2001 does not include military assistance provided under Operation Focus Relief.

1. General Policy Framework

With an estimated 125 million people, Nigeria is Africa's most populous nation. It is also the United States' fifth largest oil supplier. Nigeria potentially could offer investors a low-cost labor pool, abundant natural resources, and the largest domestic market in sub-Saharan Africa. However, its economy remains sluggish, its market potential unrealized. The country suffers from ill-maintained infrastructure, possesses an inconsistent regulatory environment, and enjoys a well-deserved reputation for endemic crime and corruption. Following decades of misrule under military strongmen, Nigeria's transportation, communications, health and power public services were a mess. Once a breadbasket, Nigeria witnessed a severe deterioration of its agricultural sector. Social, religious, and ethnic unrest, and a lack of effective due process, further complicate business ventures in Nigeria. Moreover, the government remains highly over-reliant on oil exports for its revenue and thus subject to the vagaries of the world price for petroleum. Investors must carefully research any business opportunity and avoid those opportunities that appear "too good to be true."

The democratically elected civilian government of President Olusegun Obasanjo, inaugurated in May 1999, embarked on a program to improve the country's economic performance and refurbish its image. Ties have been reestablished with the international financial institutions and donor governments. Special panels have been established to investigate past government contracts and allegations of corruption. President Obasanjo has promised accountability and respect for the rule of law, and after years of harsh military rule, the impact on the public of this promise is dramatic.

To strengthen the economy, the Obasanjo administration has embarked on an extensive reform program. Government controls over foreign investment have been eliminated. Previous government decrees that inhibited competition or conferred monopoly powers on public enterprises in the petroleum, telecommunications, power, and mineral sectors have been repealed or amended. Privatization of government enterprises continues, albeit at a very slow pace. Key privatizations of the national telecommunications monopoly NITEL and the electricity utility NEPA are anticipated. The government continues to seek a more painless, less confrontational mechanism for deregulation of the downstream petroleum sector. On the down side, tariffs on numerous products and even raw material inputs and capital equipment remain excessively high, leading to chronic tariff avoidance by Nigerian importers. The government has sought to enforce its tariff policy through 100 percent inspection of all goods entering the country.

The National Assembly approved the 2001 budget prior to the beginning of the calendar year, a significant accomplishment compared to the 2000 budget process. The government in 2000 also succeeded in lowering its budget deficit to just 2.9 percent of GDP. Unfortunately, the deficit could widen again in 2001 as expenditure patterns for the federal, state and local governments display loose fiscal control, resulting in high liquidity problems throughout the economy. As a result, inflation which had fallen to just 6 percent by the end of 2000 surged to about 18 percent by August 2001. In 2001, the government also continued deficit funding for the budget through the issuance of treasury bills. A new treasury bill, the Central Bank Certificate of Deposit, was introduced early in 2001 to mop up excess liquidity in the banking system. Despite opposition from the IMF, the Nigerian government defends its expansionary budgetary policies by insisting its poverty alleviation programs demand that adequate funds be expended for them to succeed. But even with more prudent, qualitatively improved fiscal behavior from the federal government, the Nigerian pattern of government expenditure continues to shift to the state and local government levels. The federal government exercises relatively little control over the caliber of state government spending. An improved oil revenue stream in 2000 due to high world oil prices fueled the demand for increased state revenue allocations from this "oil windfall."

Throughout most of 2000, Nigeria's lively parallel market placed about a five percent discount on the Nigerian Naira. However, during 2001 this discount expanded to 17-20 percent as the government from April on essentially froze its official exchange rate at about N111:1. Unusually heavy government spending early in the year and the transfer of public sector funds to commercial banks further exacerbated the liquidity overhang. At the same time the government sought to stabilize the Naira which encouraged widespread improper behavior by financial institutions and others who sought to take advantage of attractive currency arbitrage opportunities. The Central Bank of Nigeria (CBN) is implementing enforcement mechanisms to reduce this foreign exchange "round-tripping" syndrome.

2. Exchange Rate Policy

In early 2000, a single interbank foreign exchange market rate (IFEM) was established for all foreign exchange transactions. Under this rate, which has become in effect the official exchange rate, commercial banks, oil companies, and the CBN can transact foreign exchange. However, all requests for foreign exchange transactions must be made through commercial banks who then must comply with required CBN documentation procedures for foreign exchange procurement. Companies and individuals may hold domiciliary accounts in private banks, and account holders have unfettered use of the funds. Foreign investors may bring capital into the country to finance investments, and remit dividends without prior Ministry of Finance approval. Bureau de Change offices are allowed a maximum of $5,000 per transaction.

3. Structural Policies

Although the Nigerian government maintains a system of "incentives" to foster the location of particular industries in economically disadvantaged areas, to promote research and development in Nigeria, and to favor the use of domestic labor and raw materials, in reality these programs have done little to benefit Nigeria's economic development. "Pioneer" industries may enjoy a non-renewable tax holiday of five years, or seven years if the pioneer industry is located in an economically disadvantaged area. In addition, a number of Export Processing Zones (EPZs) have been established, most notably in southeastern Nigeria in Calabar, Cross River State. Currently, at least 75 percent of production from an EPZ enterprise must be exported, although this percentage requirement may decrease if proposed regulatory changes are implemented. Unfortunately, to date only a minute level of exports, mostly to West African locations, has been registered from Nigeria's EPZs.

In 1995, Nigeria liberalized its foreign investment regime, allowing 100 percent foreign ownership of firms outside the petroleum sector. Investment in the petroleum sector is still limited to existing joint ventures or production-sharing agreements. Foreign investors may buy shares of any Nigerian firm except those on a "negative list" (for example, manufacturers of firearms and ammunition and military and paramilitary apparel). Foreign investors must register with the Nigerian Investment Promotion Commission after incorporation under the Companies and Allied Matters Decree of 1990. The Decree also abolishes the expatriate quota system, except in the oil sector, and prohibits nationalization or expropriation of a foreign enterprise by the Nigerian government except for such cases determined to be in the national interest.

Criminal fraud conducted against unwary investors and personal security are chronic problems in Nigeria. Called "419 fraud" after the relevant section of the Nigerian criminal code, these "advance-fee" schemes target foreigners and Nigerians alike through the mail, the internet, and fictitious companies. Despite improved law enforcement efforts, the scope of the financial fraud continues to bring international notoriety to Nigeria and constitutes a serious disincentive to commerce and investment. Companies and individuals seeking to conduct business with a Nigerian firm or individual should conduct the appropriate due diligence to ascertain they are not the victims of 419 crime. Meanwhile, crime against individuals, both Nigerian and expatriate, in the form of carjackings, robberies, extortion, etc. is rampant.

4. Debt Management Policies

In August 2000, Nigeria and the IMF agreed to a precautionary one year, $1 billion Stand-by Arrangement. By August 2001, Nigeria had missed some of the key economic reform and budgetary targets agreed upon earlier under the Stand-by. Despite the missed targets, the IMF appears to be committed to working with Nigeria to develop a follow up arrangement.

In December 2000, Nigeria reached agreement with the creditor Paris Club governments to reschedule over $23 billion in debt. Nigeria paid Paris Club creditors $700 million in 2000 and $1 billion in 2001. Under the agreement, roughly $20 billion of Nigeria's debt would be rescheduled over eighteen years with three years grace, while the remainder of Nigeria's debt would be rescheduled over the next five to nine years. Unfortunately, Nigeria has been unable to conclude bilateral agreements with most of its Paris Club creditors, despite extensions to the original April 15, 2001, deadline, and prospects for rescheduling remain tied to the outcome of events with the IMF. Discussions with the IMF and World Bank continue on a medium term economic program, and Nigeria is making some progress at meeting their criteria. According to the CBN's 2000 Annual Report, debt service payments in 2000 amounted to US $1,714.3 million, a marginal decline of $10.6 million from the 1999 level but more than the budgeted $1.5 billion.

5. Significant Barriers to U.S. exports

Initially implemented to restore Nigeria's agricultural sector and to conserve foreign exchange, import bans on foodstuffs had been severely compromised by widespread smuggling, food shortages, and sharply higher domestic prices for the protected items and domestic substitutes. Import bans on almost all agricultural commodities have been lifted in recent years. However, some of the ban eliminations are not being respected by Nigerian customs. The inconsistent, non-transparent application of rules by Government of Nigeria agencies poses a significant challenge for U.S. exports. Import restrictions still apply to aircraft and oceangoing vessels.

While the Government of Nigeria continues to implement protectionist policies, highlighted by prohibitive import duties of up to 100 percent, tariff changes announced by the Government of Nigeria in December 2000 and amended in January 2001 both reduced and increased tariffs on a broad range of imported items. In particular, tariffs on some agricultural commodities remain extremely high and fully negate benefits to U.S. exporters of the Government of Nigeria's lifting of specific commodity import bans. While most Nigerian importers succeed in evading payment of the full tariffs, U.S. exporters who are careful to play by the rules report they are often disadvantaged and undercut by non-U.S. exporters who collaborate with Nigerian importers to avoid tariff payments, particularly on agricultural products. Immediately after lifting its longtime ban on corn imports, the Government of Nigeria placed a 70 percent duty on this grain. In conjunction with other surcharges and taxes, the effective tariff on corn imports is more than 80 percent. The Government of Nigeria's import duty for wheat imports increased from 7.5 to 15 percent in 2000. The U.S. share of Nigeria's wheat import market is nearly 90 percent. The effective import duty on rice was increased to approximately 85 percent. Duties on branded vegetable oil were increased from 35 percent to 60 percent and on hatchable eggs from 50 percent to 80 percent. Apples, fruit juices, and woven fabrics also face stiffer tariffs following the January 2001 tariff changes. The import of vegetable oil in bulk is banned.

There continues to be pressure from Nigerian manufacturers on the government to lower tariffs on raw material inputs and machinery. Tariffs were reduced significantly to as low as five percent on such items as non-combed cotton, synthetic filament yarn, newsprint, textile and industrial machinery, vehicles, tractors, and chemicals. Cement imports must be imported in bulk only of not less than 10,000 mt or the full capacity of the carrying vessel.

Nigeria is a long-standing member of the World Trade Organization (WTO). Its current tariff structure reflects revisions aimed at narrowing the range of custom duties, increasing rate coverage in line with WTO provisions, and decreasing import prohibitions. Overall, Nigeria continues slowly to reduce its tariffs and duties, although some excise duties eliminated in 1998 have been restored for certain goods such as cigarettes, cigars, tobacco, and spirits. For 1999, a 25 percent import duty rebate that was granted importers in late 1997 was abolished. About 500 tariff lines were modified in 2001, including upward duty revisions averaging 25 percent on 70 tariff lines (on mostly agricultural products) and downward revisions of generally less than 10 percent on about 430 tariff lines. This roller-coaster raising and lowering of tariffs has resulted in a slight decrease in average tariff levels in 2001.

Nigeria’s ports continue to be a major hindrance for imports. Importers bemoan excessively long clearance procedures, petty corruption, the extremely high berthing and unloading costs, and arbitrary application of Nigerian regulations. All unaccompanied imports and exports regardless of value require pre-shipment inspection (PSI) and must be accompanied by an import duty report (IDR). The Nigerian Customs Service will confiscate goods arriving without an IDR. In addition, all goods are assessed a one-percent surcharge to cover the cost of inspection. In January 2001, the Government of Nigeria announced that all imported containers and vehicles must enter Nigeria through its ports. This policy was implemented in an attempt to halt the transshipment of vehicles and products from neighboring countries. In June 2001, the Government of Nigeria ordered 100 percent inspection by Nigerian Customs and the Nigerian Ports Authority of all goods entering Nigeria. This move was made in a bid to check the growing incidence of under-valuation of imports and smuggling, specifically according to the government, firearms and ammunition. The result of this enhanced inspection regime has been severe port congestion as ports lack the facilities to cope with the widely expanded operations. The Government of Nigeria has announced that it intends to continue the 100 percent inspection regime indefinitely and would stop the pre-shipment inspection (PSI) system.

The Obasanjo Administration has pledged to practice open and competitive contracting for government procurement, and anti-corruption is an energetic and central plank of the current government's procurement policies. However, U.S. companies continue to experience serious problems with non-transparent contract negotiations and corruption at high levels of the Nigerian government. Foreign companies incorporated in Nigeria are entitled to national treatment, and tenders for government contracts are published in Nigerian and international newspapers. The government has prepared guidelines for the procurement process. (Proper precautions should be exercised by prospective contractors to avoid possible “419” problems.) According to government sources, approximately five percent of all government procurement contracts are awarded to U.S. companies. However, numerous U.S. companies have experienced difficulties in landing government contracts despite their alleged technical and financial advantages.

6. Export Subsidy Policies

On paper, the Nigerian Export Promotion Council (NEPC) administers export incentive programs, including a duty drawback program, an export development fund, tax relief and capital assets depreciation allowances, and a foreign currency retention program. The effectiveness of these programs for more than a limited number of beneficiaries is dubious and their non-potency is reflected in Nigeria’s export proceeds. In 2000, Nigeria exports increased by almost 50 percent, almost entirely due to higher prices for hydrocarbons. Although non-oil exports increased by 27 percent, its overall share in total exports in real terms actually decreased from 1.6 percent in 1999 to only 1.3 percent in 2000. The CBN reported in September that there has not been any increase in non-oil export earnings yet in 2001. The duty drawback or manufacturing in-bond program was designed to allow the duty free importation of raw materials to produce goods for export, contingent on the issuance of a bank guarantee. The performance bond is discharged upon evidence of product exportation and repatriation of foreign exchange. Though meant to promote industrial exports, these schemes have been burdened by inept administration, confusion among industrialists, and corruption, causing in some cases losses to those manufacturers and exporters who opted to use them.

7. Protection of U.S. Intellectual Property

Nigeria is a signatory to the Universal Copyright Convention and the Berne Convention. In 1993, Nigeria also became a member of the World Intellectual Property Organization (WIPO), thereby becoming party to most of the major international agreements on intellectual property rights. The Patents and Design Decree of 1970 governs the registration of patents, and the Standards Organization of Nigeria is responsible for issuing patents, trademarks, and copyrights. Once conferred, a patent conveys an exclusive right to make, import, sell, or use the products or apply the process. The Copyright Decree of 1988, based on WIPO standards and U.S. copyright law, criminalizes counterfeiting, exporting, importing, reproducing, exhibiting, performing, or selling any work without the permission of the copyright owner. This act was amended in 1999 to include video rental and security devices. According to the Nigerian Trademarks Office, the Nigerian Trademarks Law is almost fully TRIPS (Trade Related Intellectual Property Rights) compliant, but the Government of Nigeria acknowledges there is room for improvement in such areas as Geographical Indications (GIs). The Federal Ministry of Justice is currently working to ensure its updated Trademarks Law is wholly TRIPS compliant.

Although existing patent and piracy laws are considered reasonable, enforcement remains extremely weak and slow. Piracy of copyrighted material is widespread and includes a large portion of the pharmaceutical market and virtually 100 percent of the Nigerian recordings and home video market. Foreign companies rarely have sought trademark or patent protection in Nigeria because it was generally perceived as ineffective. Few cases involving infringement of non-Nigerian copyrights have been successfully prosecuted in Nigeria, while the few court decisions that have been rendered have been inconsistent. Most copyright cases have been settled out of court. However, there are signs the pattern of abuse in intellectual property rights protection is being reversed. Nigerian companies, banks, and government agencies are increasingly being forced to procure only licensed software. The National Agency for Food and Drug Administration and Control (NAFDAC) has made highly publicized raids on counterfeit pharmaceutical enterprises. Establishment of specialized courts to handle intellectual property rights issues is being considered. Nigeria's active participation in international conventions has yielded positive results. Law enforcement agents occasionally do carry out raids on suspected sites for production and sale of pirated tapes, videos, computer software and books. Moreover, some Nigerian companies, including filmmakers, have sought to protect their legitimate business interests by banding together in bringing lawsuits against pirate broadcasters.

The recent deregulation of Nigeria's television market has led to the creation of a number of broadcast and cable stations. Many of these stations utilize large satellite dishes and decoders to pull in transmissions for rebroadcast, providing unfair competition for legitimate public and private television stations.

8. Worker Rights

a. The Right of Association: Nigerian workers may join unions with the exception of members of the armed forces, police force, or government employees of the following departments and services: customs, immigration, prisons, currency printing and minting, central bank and telecommunications. A worker engaged in an essential service is required under penalty of law to provide his employer 15 days advance notice of his intention to cease work. Essential service workers include federal and state civilian employees in the armed services, and public employees engaged in banking, telecommunications, postal services, transportation and ports, public health, fire prevention, and the utilities sector. Employees working in an export-processing zone may not join a union for a period of ten years from the startup of the enterprise.

Under the law, a worker under a collective bargaining agreement may not participate in a strike unless his representative has complied with the requirements of the Trade Disputes Act, which include provisions for mandatory mediation and for referring the labor dispute to the government. The act allows the government in its discretion to refer the matter to a labor conciliator, arbitration panel, board of inquiry, or the National Industrial Court. The act also forbids any employer from granting a general wage increase to its workers without prior government approval. In practice, however, the act does not appear to be effectively enforced as strikes, including in the public sector, are widespread, and private sector wage increases are not submitted to the government for prior approval.

Nigeria has signed and ratified the International Labor Organization's (ILO) convention on freedom of association, but Nigerian law authorizes only a single central labor body, the Nigeria Labor Congress (NLC). Nigerian labor law controls the admission of a union to the NLC, and requires any union to be formally registered before commencing operations. Registration is authorized only where the Registrar of Trade Unions determines that it is expedient in that no other existing union is sufficiently representative of the interests of those workers seeking to be registered.

b. The Right to Organize and Bargain Collectively: Nigerian labor laws permit the right to organize and bargain collectively. Collective bargaining is common in many sectors of the economy. Nigerian law protects workers from retaliation by employers (i.e. lockouts) for labor activity through an independent arm of the judiciary, the Nigerian Industrial Court. Trade unionists have complained, however, that the judicial system's slow handling of labor cases constitutes a denial of redress. The government retains broad authority over labor matters, and often intervenes in disputes it feels challenge its key political or economic objectives. However, the era of government appointed "sole administrators" of unions is now over, and the labor movement is increasingly active and vocal on issues seen to attest the plight of the common worker, such as deregulation, privatization, and the government's failure to advance its poverty alleviation program.

c. Prohibition of Forced or Compulsory Labor: Section 34 of the 1999 Constitution, and the 1974 Labor Decree, prohibits forced labor. Nigeria has also ratified the ILO convention prohibiting forced labor. However, there are occasional reports of instances of forced labor, typically involving domestic servants. The government has limited resources to detect and prevent violations of the forced labor prohibition.

d. Minimum Age for Employment of Children: Nigeria's 1974 labor decree prohibits employment of children under 15 years of age in commerce and industry and restricts other child labor to home-based agricultural or domestic work. The law further stipulates that no person under the age of 16 may be employed for more than eight hours per day. The decree allows the apprenticeship of youths under specific conditions. Primary education is compulsory in Nigeria, though rarely enforced. Actual enrollment is declining due to the continuing deterioration of public schools. Increasing poverty and the need to supplement meager family incomes has also forced many children into the employment market, which is unable to absorb their labor due to high levels of unemployment. The use of children as beggars, hawkers, or elsewhere in the informal sector is widespread in urban areas.

e. Acceptable conditions of work: Nigeria's 1974 labor decree established a 40-hour workweek, prescribed two to four weeks of annual leave, set a minimum wage, and stipulated that workers are to be paid extra for hours worked over the legal limit. The decree states that workers who work on Sundays and legal holidays must be paid a full day's pay in addition to their normal wages. There is no law prohibiting excessive compulsory overtime. In May 2000, the federal government approved a new National Minimum wage for both federal and state employees. Under the approved wage, federal workers are to receive a minimum monthly wage (salary and allowance) of 7,500 naira ($75) while state employees would receive 5,500 naira as a minimum monthly wage. The new wage review has, however, set many state governments and their employees on a collision course. While some states claim that they cannot afford the stipulated 5,500 naira labor unions and state workers insist their wages should be the same as those of federal workers. The last minimum wage review was carried out in 1998 by the Abubakar regime. The 1974 decree contains general health and safety provisions. Employers must compensate injured workers and dependent survivors of those killed in industrial accidents but enforcement of these laws by the ministry of labor is largely ineffective.

f. Rights in Sectors with U.S. Investment: Worker rights in petroleum, chemicals and related products, primary and fabricated metals, machinery, electric and electronic equipment, transportation equipment, and other manufacturing sectors are not significantly different from those in other major sectors of the economy.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 2000

(Millions of U.S. Dollars)

Category		Amount
Petroleum		-881
Total Manufacturing		58
Food & Kindred Products	(D)	
Chemicals & Allied Products	22	
Primary & Fabricated Metals	-1	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	(D)	
Other Manufacturing	0	
Wholesale Trade		(D)
Banking		(D)
Finance/Insurance/Real Estate		274
Services		0
Other Industries		6
TOTAL ALL INDUSTRIES		1,283

(D) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.